



Los Angeles County AUDIT COMMITTEE

Louisa Ollague, Chair
1st District
Lori Glasgow, Vice Chair
5th District
Dorinne Jordan
2nd District
Genie Chough
3rd District
Carl Gallucci
4th District

MINUTES

August 19, 2010

Chair Louisa Ollague called the meeting to order at 10:40 a.m. in Conference Room 525, Kenneth Hahn Hall of Administration.

Committee Members Present

Louisa Ollague, Chair, First District
Lori Glasgow, Vice Chair, Fifth District
Dorinne Jordan, Second District
Genie Chough, Third District
Carl Gallucci, Fourth District

APPROVAL OF JUNE 17, 2010 MINUTES

On motion of Genie Chough, seconded by Louisa Ollague and unanimously carried, the minutes of June 17 2010 were approved.

OLD BUSINESS

- Clontarf Manor, Inc. Contract Compliance Review – A Department of Mental Health Service Provider (2/26/10)
 - Tony Gando, representing Judith Miller, Department of Mental Health reported a meeting is scheduled with Clontarf on September 27th with County Counsel, Department of Mental Health Management and the Auditor-Controller (A-C).
 - Aggie Alonso, Auditor-Controller added that the County has agreed to meet with them to allow them due process and present sufficient documentation to disagree with their findings. A status report will be provided at the next Audit Committee meeting.

After discussion, by common consent, there being no objection, the Committee continued the aforementioned item to its October 21, 2010 meeting.

- Community Union, Inc. Contract Review – A Department of Public Social Services Community Services Block Grant Program Provider (4/14/10)
 - Aggie Alonso, Auditor-Controller reported questioned costs have not been repaid, the Department of Public Social Services (DPSS) has submitted a request to the Treasurer and Tax Collector (TTC) for collections. In addition, Community and Senior Services (CSS) have instructed them to remove their belongings from CSS facilities.

Initially there was no response, however they have now removed most of their equipment and CSS is working on removing the remaining equipment. He is no longer using space at any County facility.

On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed the aforementioned report

BOARD POLICIES

- Review of Board Policy No. 4.080 – Deferred Maintenance Program (6/24/10)
- Review of Board Policy No. 5.055 – Services Contract Solicitation Protest (Implementation Guideline Attachment) (6/30/10)
- Review of Board Policy No. 3.115 – Los Angeles County Food Policy: Vending Machines, Fundraising and County Sponsored Meetings (7/8/10)

By common consent, there being no objection, the Committee continued the aforementioned policies to its October 21, 2010 meeting.

- Review of Board Policy No. 3.005 – Posting Board Memos and Letters Online (5/24/10)
- Review of Board Policy No. 3.070 – County - Sponsored Events To Be Disabled Accessible (6/23/10)
- Review of Board Policy No. 5.060 – Reporting of Improper Solicitations (7/8/10)
- Review of Board Policy No. 4.040 – Debt Management guidelines (8/3/2010)

On motion of Louisa Ollague, seconded by Genie Chough and unanimously carried, the Committee approved the aforementioned policies.

- Review of Board Policy No. 3.080 – Department Head Notification To The Board Prior To Service Curtailments Or Layoffs (6/28/10)

By common consent, there being no objection, the Committee continued the aforementioned policy to its October 21, 2010 meeting.

- Review of Board Policy No. 3.040 – General Records Retention and Protection of Records Containing Personal and Confidential Information (7/23/10)
 - Frank Cheng, Chief Executive Office, responded to an inquiry made by Dorinne Jordan relating to the retention of emails and reported the same retention schedules for paper documents would apply to emails regardless of where they are stored and added that most changes in the policy relate to IT security and the standardization of the disposal of hard disk drives.

On motion of Dorinne Jordan, seconded by Louisa Ollague and unanimously carried, the Committee approved the aforementioned policies.

REPORTS TO BE RECEIVED AND FILED

- Sunset Review for the Los Angeles County Arts Commission (8/4/2010)

By common consent, there being no objection, the Committee continued the aforementioned sunset review to its October 21, 2010 meeting.

- Trial Court Operations – Indigent Defense Cost Review (Board Agenda Item #5, June 22, 2009) (6/15/10)
- New Horizons Family Center Contract Review – A Department of Mental Health Service Provider (6/23/10)
- Heritage Clinic, The Center for Aging Resources Contract Review – A Department of Mental Health Service Provider (6/25/10)
- 2nd Status Report – Request for Extension for Review of Physician Indigent Care Reimbursement Program (Board Agenda Item 17, February 16, 2010) (6/25/10)
- Proposition A Contract – Probation Department Transcribing Services (Board Agenda 6/29/2010, Item 62) (6/25/10)
- United American Indian Involvement, Inc. Contract Review - A Department of Mental Health Service Provider (7/13/10)
- East Valley Community Health Center, Inc. Contract Review - A Department of Public Health HIV/AIDS Care and Prevention Services Provider (7/13/10)
- Los Angeles County Office of Education Contract Review - A Department of Public Health HIV/AIDS Prevention Services Provider (7/13/10)
- Proposition A Contract - Probation Department Food Services at Challenger Memorial Youth Center (Board Agenda August 3, 2010, Item 35) (7/30/10)
- Sunset Review for the Los Angeles County Aviation Commission (8/3/2010)
- Sunset Review for the Los Angeles County Commission on Local Governmental Services (8/5/2010)
- Eisner Pediatric And Family Medical Center Contract Review - A Department of Mental Health Service Provider (8/10/10)
- El Centro Del Pueblo, Inc. Program Review - A Department of Mental Health Service Provider (8/10/10)
- Report on Probation Department's Use of \$79 Million for Department of Justice Settlement (Board Agenda Item 12, June 7, 2010 Budget Deliberations) (8/10/10)

On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee received and filed the aforementioned reports.

- Childrens Hospital Los Angeles Contract Review – A Department of Public Social Services Cal-Learn Program Provider (6/23/10)
- Foothill Family Service Contract Review – A Department of Public Social Services Cal-Learn Program Provider (6/24/10)
 - Aggie Alonso, Auditor-Controller, reported both items are CAL-Learn Programs that do not have the required contract provisions to either reinvest the funds in the programs with a cap or to return the funds to the County. The State requires approval to change

the terms from fixed fee to cost reimbursement for social service contracts for non profit agencies. DPSS has requested approval and the State has in turn requested additional information. They are in the process of submitting the information and although they are not able to meet the September 1st deadline they are making progress. Mr. Alonso will report back on the status of these contracts under *Other Business – DPSS Contract Provisions* at the October 21, 2010 meeting.

By common consent there being no objection, the Committee received and filed the aforementioned reports.

- Revised Budget Adjustment Guidelines (7/1/10)
 - John Naimo, Auditor-Controller, reported guidelines have been updated due to technical changes in state law requiring four votes by the Board for any movement between funds (general fund to any other fund) and applies to any changes made after the budget is adopted. Also, the State law that specified you could not have more than 15% of a fund contingency appropriation no longer specifies a percentage allowing more than 15% to be placed in contingency.

By common consent there being no objection, the Committee received and filed the aforementioned report.

- District Attorney's Asset Forfeiture Fund (7/26/10)
 - John Naimo, Auditor-Controller, responded to an inquiry made by Louisa Ollague as to where the funds go and responded that the funds are used to offset their investigative expenditures for equipment, travel costs, mileage and District Attorney Staff.

By common consent there being no objection, the Committee received and filed the aforementioned report.

- Project Angel Food Contract - A Department of Public Health HIV/AIDS Care and Prevention Services Provider - Follow-Up Review (7/13/10)
 - Don Chadwick, Auditor-Controller, reported this is a small contract that provided very limited services in a specific area and some of the recommendations may not be feasible to their organization. A status of all outstanding Department of Public Health contracts will be provided at the October 21, 2010.

By common consent there being no objection, the Committee received and filed the aforementioned report.

By common consent there being no objection, the Committee reconsidered and continued the following policy to the October 21, 2010 meeting:

- Review of Board Policy No. 3.105 – Redevelopment Goals (8/12/10)

OTHER BUSINESS

Pending Audits/Monitoring Reports - There was none.

Fiscal Year 2009-2010 Final Cash Flow Report – John Naimo, Auditor-Controller, reported the cash flow balance for Fiscal Year (FY) 09/10 was \$736 million. Previously, a conservative cash flow estimate of \$300 million was reported. To the credit of Health Services, the State submitted \$300 million the last week of June. The \$736 million will provide a better start for FY 10/11. The County will still need the \$1.5 billion of trans funds that were borrowed.

Currently, it is projected that the County may closeout the current year with a negative balance of \$400 million. Once the Health and State budget issues are resolved he can report back with a formal forecast for FY 10/11.

Mr. Naimo also reported, if legislation on Health Services Provider Fees are approved and signed it would be a great budget benefit with cash flow features. This would provide the County with a substantial amount of money in the first 6 months and is retroactive until September 2010. The County will be able to record a receivable in 2010.

At the request of Louisa Ollague, Mr. Naimo briefly provided an update on SB 90 Reimbursement. The State has deferred paying the County and created a long term receivable of over \$100 million that the County has had to reserve. Legislation was approved that the State would pay over 15 years. There is a proposed securitization plan that an outside investor would purchase the debt and the County would take be paid approximately 50 to 80 cents on the dollar. There has been some research on the plan, but no decision has been made to accept the proposed securitization plan.

Year End Book Closing – John Naimo, Auditor-Controller, reported books will be closed by the end of this month and once they get some certainty with the provider fee, Health Services will be finished. They aren't scheduled to be on the agenda until September 28th, an update will be provided at the Budget Committee meeting later today if you have any concerns as to how the books are being closed or related to the CBRC. Many of the departments that are completed are showing a savings.

Property Tax Billing Process – John Naimo, Auditor-Controller, reported that the City of Bell, with their Council and legal departments approval, passed resolutions that caused the County to put an illegal property tax on tax bills for pension obligations. After reviewing Bell's property taxes it was discovered that property owners were over charged approximately 2.9 million. The Controller notified the State of the overcharge and informed the City of Bell that they gave the County directions to levy a tax that they were not legally allowed to. Further research revealed the City of Maywood also overcharged in property taxes. Legislation is being developed to return the money to the taxpayer, existing law states in circumstances of an overcharge the money is reverted to the school district. Mr. Naimo will look into the cost to the County of reimbursing the overcharges.

DPSS Contract Provisions - Walter Chan, Department of Public Social Services (DPSS), reported they have collaborated with the Auditor-Controller to request permission from the State to add new language and provide guidelines for contracts in the event they fail to use all of the expenses provided. They have been in contact with the providers to inquire if there are unused funds and should those funds accrue interest, the interest belongs to the County. They have corresponded with the State since January and are currently consulting with County Counsel and awaiting a reply. DPSS plans to meet with CAL-Learn Providers and respond to the State by the second week of September.

PUBLIC COMMENT

There was none.

MATTERS NOT ON THE POSTED AGENDA (TO BE PRESENTED AND PLACED ON THE AGENDA OF A FUTURE MEETING)

There was none.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 11:52 p.m.

Others in Attendance

Judi E. Thomas, A-C
Don Chadwick, A-C
Jim Schneiderman, A-C
John Naimo, A-C
Aggie Alonso, A-C
Jackie Guevarra, A-C
Frank Cheng, CEO
James Hazlett, CEO
Chris Montana, CEO
Antonio Gando, DMH

Suzanne Bogert, DMH
Michelle Wood, DPH
Angela Davis, OAAC
Lawrence Green, CC
Amanda Drukker, CC
Yolanda Young, ISD
John Kruger, ISD
Robert Pittman, CIO
Walter Chan, DPSS

Staff

Twila P. Kerr, Board of Supervisors
Lupe Duron, Board of Supervisors